

ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND 2003-05 AND 2005-07 BIENNIUMS (REFLECTING THE 2005-07 BIENNIUM EXECUTIVE BUDGET RECOMMENDATIONS)

	2003-05 Biennium	2005-07 Biennium
Beginning balance	\$12,800,761	\$41,647,158
Add estimated revenues		
Oil and gas production tax and oil extraction tax collections	<u>\$40,756,397</u>	<u>\$0</u>
Total estimated revenues	<u>40,756,397¹</u>	<u>0²</u>
Total available	\$53,557,158	\$41,647,158
Less estimated expenditures		
Transfer to the general fund (Section 6 of 2003 Senate Bill No. 2015)	<u>\$11,910,000</u>	<u>0</u>
Total estimated expenditures	<u>\$11,910,000</u>	<u>\$0³</u>
Ending balance	<u><u>\$41,647,158</u></u>	<u><u>\$41,647,158</u></u>

NOTE: North Dakota Century Code (NDCC) Section 57-51.1-07.2 (1997 Senate Bill No. 2366) establishes a permanent oil tax trust fund and provides that at the end of each biennium beginning after June 30, 1997, all revenues deposited in the general fund during that biennium and derived from taxes imposed on oil and gas under Chapters 57-51 (Oil and Gas Gross Production Tax) and 57-51.1 (Oil Extraction Tax) which exceed \$71 million are to be transferred into the permanent oil tax trust fund. The State Treasurer is to transfer the interest earned on the fund to the general fund at the end of each fiscal year. The principal may only be spent upon a two-thirds vote of the members elected to each house of the Legislative Assembly.

¹Estimated revenues - 2003-05 - The revised December 2004 revenue forecast for the 2003-05 biennium projects state oil and gas production tax and oil extraction tax revenues to exceed \$71 million by \$40.8 million; therefore, there is a projected transfer of \$40.8 million to the permanent oil tax trust fund at the end of the biennium.

²Estimated revenues - 2005-07 - The executive budget recommends amending NDCC Section 57-51.1-07.2 (in Section 18 of House Bill No. 1015 (2005)) to increase from \$71 million to \$84.5 million the general fund portion of oil extraction tax and oil and gas gross production tax. The executive revenue forecast estimates that oil tax collections during the 2005-07 biennium will total \$84.3 million. Therefore, the executive budget does not anticipate any transfers to the permanent oil tax trust fund during the 2005-07 biennium.

³Estimated expenditures - 2005-07 - The executive budget recommends a contingent transfer from the permanent oil tax trust fund and the Bank of North Dakota to the state general fund. Section 13 of House Bill No. 1015 (2005) provides that if during the 2005-07 biennium, the director of the Office of Management and Budget determines through revised projections that general fund revenue collections will not meet the revenues as forecast in the March 2005 legislative forecast, the director may transfer funds, up to the amount of the projected shortfall, from the permanent oil tax trust fund to the general fund, and if additional funds are required, the Industrial Commission shall transfer an additional amount of up to \$10 million from the earnings and accumulated and undivided profits of the Bank of North Dakota to the general fund.